

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6755

BILL NUMBER: HB 1117

DATE PREPARED: Dec 18, 2000

BILL AMENDED:

SUBJECT: Fire protection levy.

FISCAL ANALYST: Bob Sigalow

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill authorizes an excessive levy for township fire protection for townships that have resorted to short term borrowing in the previous two calendar years. (The introduced version of this bill was prepared by the Local Government Finance Study Commission.)

Effective Date: July 1, 2001.

Explanation of State Expenditures: Under this proposal, a township may ask for an increase in the maximum allowable levy for the Fire Fund if the township borrowed money to pay for fire protection for the two consecutive preceding years. The amount of the increase that could be granted is limited to the lesser of the previous two years' loan amounts. A township may not ask for a maximum levy increase more frequently than every three years.

Under current law, townships may borrow money for firefighting operating expenses if the township's legislative body determines that there is an emergency requiring the expenditure of money not included in the township's budget estimates and levy. This determination and the subsequent loan request must be made on an annual basis, if needed. By contrast, the maximum levy adjustment that would be allowed by this bill would be the township's base for future years' maximum levies.

Townships that could qualify for a maximum levy increase under this bill have borrowed operating funds over the last two years and consequently have also imposed Debt Service Fund levies to retire the debt. If a township has a recurring need to borrow operating funds then the maximum levy increase allowed by this bill would not represent an increase in the township's overall property tax levy. For these townships, the increase in the Fire Fund levy under this bill would take the place of the Debt Service Fund levy.

Assuming that only townships that have a recurring need to borrow operating funds would be granted a maximum levy increase, this bill would not increase overall property taxes so there would be no effect on

the amount that the state pays for Homestead Credit. Since the Fire Fund levy increase allowed under this bill would result from an appeal to increase the maximum levy, the additional amount would not qualify for state Property Tax Replacement Credit (PTRC) payments and therefore would not affect the state's PTRC liability.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This analysis examines loan data for 1998 and 1999. In CY 1998, seven townships borrowed a total of \$4.5 M and in CY 1999, 13 townships borrowed a total of \$7.4 M. Only six townships borrowed money in both years. If the borrowing habits of those six townships remain the same in CY 2000 and CY 2001, then they would be allowed to ask for an adjustment to their maximum levy. The total maximum levy increase that could be granted would be limited to \$3.9 M in this example. However, the actual number of townships that will have to borrow operating funds in the future and the amount that they will borrow is unknown. Therefore, the number of townships that might be eligible for a maximum levy increase in 2001 and years after is also unknown. The state's Local Government Property Tax Control Board and the State Tax Board would determine the amount, if any, of the additional levy authority. The new maximum levy would be the township's base for future years.

As stated above, townships that could qualify for a maximum levy increase under this bill have borrowed operating funds and have also imposed Debt Service Fund levies over the last two years. Maximum levy increases allowed for townships with a recurring need to borrow operating funds would not increase the townships' overall property tax levy or local revenue. Townships may be able to reduce expenses and overall property tax levies with the elimination (or reduction) of interest on debt and fees associated with obtaining a loan.

The actual fiscal impact depends on local action.

State Agencies Affected: State Tax Board.

Local Agencies Affected: Townships.

Information Sources: Jim Cornwell, State Board of Tax Commissioners (232-3773).